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30 April 1952

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CURRENT INTELLIGENCE DIGEST

Office of Current Intelligence

CENTRAL INTELLIGENCE AGENCY

DIA and DOS review(s) completed.

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SOVIET UNION

25X1 1. USSR believes West German integration must be stopped now:

[redacted] the USSR believes that now is the time to prevent German integration with the West, rather than after signing of the contractual agreement. Soviet Ambassador to East Germany Pushkin reportedly stated that with the conclusion of the contractual agreement and Pleven plan, West Germany would clearly be in the North Atlantic Pact front.

It was also reported that Dertinger, in an article on Soviet German policy, attempted to state that the Soviet Union "does not contemplate incorporating Germany into an Eastern alliance system, nor to make use of the German potential for itself," but that this was deleted by the Soviet editors. [redacted]

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Comment: East German Soviet-controlled press attempts in recent weeks to incite the Germans to overt action suggest that the USSR regards the signing of the contractual agreement as the crucial step.

EASTERN EUROPE

2. Czech infantry and border guard units seen rehearsing for parade on 9 May: The US Army Attaché in Prague discounts reports of an increased number of Soviet troops in that city. He believes that these soldiers, reported to be dressed in "blue fatigues and field caps with five-tipped stars," are in fact members of the Czech workers' militia.

An estimated two regiments of infantry plus elements of

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border guard and national security (SNB) troops were observed in Prague on 28 April in dress rehearsal for the forthcoming military parade on 9 May. The appearance of the troops is reported to be below the standard of last year's parade and the American Army Attache believes that this may explain the need for early rehearsals.

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Comment: About 16,000 Czech foot soldiers presented an excellent appearance in last year's parade. No preparations for a military parade on May Day have been reported from Warsaw or Budapest where last year elaborate arrangements were made.

3. Czech President's health reportedly improving: The Czechoslovak Vice Minister of Foreign Affairs Gertruda Sekaninova told the American Ambassador on 28 April that President Klement Gottwald was making "good progress" and was expected to be well enough to take part in the May Day and 9 May Liberation Day celebrations in Prague.

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Comment: Gottwald, who is believed to have a chronic ailment, was almost too weak to stand to take the review at the 9 May celebration last year. On 5 April he was too ill to attend the funeral of his mother in Brno. Rumors concerning his illness are current in Prague, including extreme stories that he is being poisoned by the Russians or that he is already dead.

4. Two accidents on Polish railroads near Warsaw reported: Two railroad accidents near Warsaw, observed and reported by the American Embassy in Poland, have given rise to rumors that they and possibly other railroad mishaps were caused by sabotage.

An investigation on 15 April by the US Military Attache of one of the accidents disclosed one small derailed freight car at the bottom of a twenty foot embankment twenty-five kilometers west of Warsaw on the main line. Other signs indicated four or five other cars could have left the track.

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Comment: There is no evidence from other sources that these accidents were the result of sabotage. These reports are of interest, however, since no reliable first hand observations of railroad accidents have been received for a considerable time from Poland.

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5. Polish claims of success for economic plan belied by terms of announcement: The Polish State Commission for Economic Planning announced that the plan for the first quarter of 1952 "was fulfilled and even exceeded as far as total value of production and quantities produced of the majority of industrial goods were concerned." Certain failures were also admitted, but not in specific terms as to amount or in percentage as compared to a year ago.

Goals were not attained for production of coal, crude oil, pig iron, steel, tractors, rolling stock, machine tools, sulphuric acid, meat, fish, sugar, and soap. Small failures were noted in the mining, machine, and forestry industry.

In agriculture, no mention was made of the success or failure of the compulsory hog and grain delivery plans. However, mechanization of agriculture allegedly increased with 400 more tractors at 23 additional machine tractor stations. The number of agricultural producer cooperatives, the pre-kolkhoz type of collective farm, increased from 3,054 to 3,300. [redacted]

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Comment: For the first time the percentage achievements of the planned production of individual products have been omitted. This suggests that the Polish Government may be concealing significant failures in the production of certain key items such as those noted above, where it is admitted that goals were not attained. A tendency toward concealment by the use of qualifying phrases such as "on the whole," or "in general," by the classification of data as "provisional," or by outright falsification was noted in the communique announcing the achievements of the National Economic Plan for 1951.

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9. Burmese reported preparing to make peace with Japan:
 The American Embassy in Rangoon reports that the Burmese Government will make an early proclamation ending the state of war with Japan, and will propose an exchange of Ambassadors. The Japanese Overseas Agency in Rangoon would then be accorded diplomatic status and a peace treaty, similar to the one being drafted by India, would be negotiated after the arrival of a Japanese Ambassador.

The Embassy comments that the Burmese will certainly seek to include provision for the payment of reparations in any peace treaty. [redacted]

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Comment: The Burmese approach to a peace settlement with Japan has been almost identical with that of India, except for the demand for reparations. Fear of Communist China has been a chief consideration.

Most of the Burmese cabinet officers who are seeking reparations welcomed the Japanese invasion in 1941-42 and, for some time, collaborated in the puppet regime.

10. Karens reported obtaining arms from Chinese Nationalists:
 The American Army Attache in Rangoon reports that the local press is claiming that Chinese Nationalists are trading arms and ammunition with the Karen insurgents. The Attache comments that there is no verification of this information, but if true, the operation is only on a small scale. [redacted]

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Comment: The Karens are known to have wolfram and tin ore which can be traded for armaments.

11. Leader of Indonesian delegation to Moscow reviews economic conference: Suchjar Tedjasukmana, leader of Indonesia's unofficial delegation to the Moscow Economic Conference, stated during a press interview in Amsterdam that the conference had been a "success," and that he favored Indonesian participation at the "next conference." He stated that both Russia and China had desired formal business contracts, but that none had yet been arranged.

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In commenting upon conditions in Russia, Tedjasukmana said that although the Soviet regime had improved the material welfare of the Russian people, the position of Soviet workers compared unfavorably with that of workers in the Netherlands. He stated that he could not approve the Soviet system of government and that "their philosophy of life was not for Indonesia." [redacted]

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Comment: Tedjasukmana, Secretary General of the non-government Indonesian Central Economic Council, is considered a "conservative-moderate" in Indonesian circles. His attitudes toward Communism and trade with the Soviet Orbit are consistent with Indonesia's "neutralist" foreign policy, which is based upon the "third force" concept.

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12. Indian military training exercise aims at capture of southern Burma: An annual training exercise for senior officers of the Indian armed services, held in late February 1952, was directed toward the capture of the south Burmese peninsula along a line from Bassein to Rangoon and Papun. [redacted]

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Comment: Previously, Indian military exercises have assumed a state of war with Pakistan. The above is the first known instance in which an exercise indicates that Indian armed forces are considering Burma as a theatre of active operations. Together with persistent rumors that the incompetent Indian Minister of Defense is about to be replaced, this information suggests that the armed services have become fully aware of the Chinese threat to Burma and of the possibility that India may be called upon to help counter a Chinese invasion of that country.

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NEAR EAST - AFRICA

13. Turkish Prime Minister interested in Greek-Yugoslav rapprochement: The Turkish Prime Minister, now visiting Athens, left the impression with Ambassador Peurifoy that Turkey was "intensely interested and keenly anxious" that the Greeks make a real effort to engage in talks with Yugoslavia. The Prime Minister thought the Greeks were deterred from

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reaching a basic military understanding with the Yugoslavs because they thought that their NATO role precluded bilateral agreements. Greek leaders also were dubious about close relations with their Yugoslav neighbors because they did not know what would happen in the event of Tito's overthrow.

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Comment: The Turks, genuinely interested in consolidating defense arrangements in the eastern Mediterranean, are attempting in various ways to put pressure on Greece to achieve more cordial relations with its northern neighbor.

There are indications that Yugoslavia now also favors closer military ties with both Greece and Turkey. Talks have already been held by officials of Turkey and Yugoslavia with the aim of improving political and economic relations between the two countries. The Turkish Foreign Minister reportedly will visit Belgrade in May.

14. Spain indicates willingness to bargain over Tangier: The Spanish Consul General at Tangier has indicated that in return for full control of police and security matters, Spain might accept modifications in the Tangier administration through amendment of the 1945 Statute rather than the return to the 1923 Statute demanded in the Spanish demarche of 7 April. He also told American Legation officials that the Soviet Union would not have to be invited to any international conference called to revise the 1923 Statute, since Spain feels that the USSR has forfeited its legal right to such an invitation.

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Comment: While most of the powers concerned wish to avoid calling an international conference and are willing to give Spain a larger role in the Zone's administration, they are not likely to allow Spain absolute control over police and security.

Italy has indicated its hope that, as a result of the Spanish action, it may be able to regain, in part at least, the special position it enjoyed before World War II.

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WESTERN EUROPE

15. West German Communists support a Socialist candidate: For the first time since World War II, the Communists in West Germany are supporting a Social Democratic candidate in a Federal election. The US High Commissioner believes that this may indicate a new and important Communist policy line, one reflecting a Moscow decision to force the West German Communist Party into a broad front with the Social Democrats against the coalition's Western integration policies. Before any clear change of policy is evident, however, there must be an end to Communist attacks on the Socialist Party leadership. [redacted]

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Comment: The current Communist line is aimed at splitting the leadership of the Social Democratic Party from its following, and calls for low-level Social Democratic-Communist cooperation in trying to block West German rearmament. Although Social Democrat leaders are following a line in German affairs that is almost undistinguishable from Moscow's, they have rejected any ties with the Communists and will probably continue to do so.

16. Contractual agreement threatened by new West German Senate line-up: Chancellor Adenauer fears that instructions from the Social Democratic coalition government in Germany's new southwest state may block ratification of the contractual agreement by the Federal Senate. He has therefore urged the Allied High Commissioners to frame the related conventions to the agreement in such a way that Senate approval will not be required. [redacted]

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Comment: Although the Christian Democrats won a plurality in the 9 March election in the new state, now called Baden-Wuerttemburg, they were excluded from the state cabinet by a coalition of Free Democrats, Social Democrats, and representatives of a refugee bloc. This coalition will name the five representatives to the Federal Senate, where Adenauer's government now holds a precarious majority.

Should the new delegation to the Senate join the opposition, Adenauer's programs could be defeated or at least blocked in part.

17. French Foreign Office fears influence of delegates returning from Moscow conference: A French Foreign Office spokesman fears that the delegates returning from the Moscow Economic Conference

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may press the trade unions and employers in distressed industries to seek the removal of export controls on strategic goods. He warns that the government may be asked to publish the international lists of strategic commodities, and points out that it would be difficult to refuse a "concerted public demand" to know the limits set on East-West trade.

The US Embassy in Paris reports that there is no evidence of an organized commercial or press campaign against export controls. [redacted]

Comment: Although French industrialists are desperately eager for wider export markets, the recent negotiations with the Soviet bloc are not likely to have any immediate widespread effect. The returning delegates are scarcely so satisfied with their transactions nor so convinced of Soviet sincerity that they would try to mobilize public opinion against COCOM controls.

A COCOM meeting is scheduled for 30 April to discuss the Moscow Conference and investigate means of publicizing the need for an export control system in an effort to counteract Soviet propaganda.

18. Soviet officials in Austria interrupt telephone communications: Austrian Minister of Interior Helmer reports that Soviet officials have insisted on changes in the Austrian communications net, and that on 28 April telephone connections in the area between Felixdorf and Wiener-Neustadt airfield were interrupted.

Simultaneous Soviet demands to establish direct telephone connections between two barracks in the Klosterneuberg area and between Vienna and Strasshof air base appear to confirm the suspicions of Austrian officials that the interruption of service is due to Soviet military requirements.

The Austrian cabinet is now considering a public statement and a protest to Soviet officials. [redacted]

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Comment: Austrian Foreign Minister Gruber recently reported that he had the impression that the Soviet officials in Austria are "planning some kind of move" and are awaiting instructions from Moscow.

Soviet forces are currently rotating into summer maneuver areas, but there is no indication of a build-up of Soviet military strength in Austria.

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19. Belgian ratification of EDC treaty depends on uniform military conscription period: American officials in Brussels agree with the Belgian delegate to the European Defense Community conference that the Belgian Parliament will refuse to ratify the EDC treaty unless it provides for a uniform military conscription period.

The Belgian delegate stated that his country would be able, "or very nearly able," to meet its NATO commitments by adopting the Dutch formula for a twenty-four month period for officers and technicians and a twenty-month period for other ranks. He added that Belgium still favors a twenty-four month period for all ranks, but feels that France and Italy will not agree to this.

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Comment: Belgium is the only western European country with a twenty-four month conscription period, and, to mollify public opinion, the government has said that it will adopt whatever service period is agreed to by the Defense Community.

There is little possibility that France and Italy would agree to increase their present eighteen-month service periods.

20. Italo-West German trade agreement involves significant increase in commerce: The 1952-53 Italo-West German trade agreement, effective this month, will increase trade in both directions 25 percent above 1951 levels, according to the American Embassy in Rome. West Germany will import mostly agricultural products and textiles, and export coal and steel.

The agreement, which will partially offset the damage done to the Italian economy by British and French restrictions on imports, comes at a time when Italy is liberalizing 98 percent of its trade within the European Payments Union, and Germany 75 percent of its trade.

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Comment: Because of the substantial improvement in its balance of payments position since the previous trade agreement, West Germany was able to give Italy better terms. This new agreement is further evidence of the increasing friendliness between the Christian Democratic governments of two countries involved.

21. Italian shipbuilding firm approached by Soviet officials for tanker construction: The Italian shipbuilding firm Ansaldo has been approached by Soviet representatives concerning the possibility of placing orders for tankers.

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Italy will not permit the export of tankers to the USSR. The government intends to take the position, if approached by Soviet officials, that Soviet-Italian trade must be conducted within the framework of existing trade agreements, which do not provide for Italian construction of tankers. [redacted]

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[redacted]

Comment: Italy would probably welcome Soviet orders for non-embargo type ships to alleviate the chronic idleness of its shipyards, but is unlikely to accept orders for tankers. However, the USSR charters a large number of Italian tankers, which to a small degree alleviate its tanker needs.

Since the end of World War II, only two cargo-passenger ships, each of 2750 gross tons and capable of 16.4 knots, have been constructed in Italy for the Soviet Union. An order for 30 tugs under the 1948 long-term trade agreement is almost completed.

22. Productive capacity of Italian industry not fully utilized for defense build-up: For presentation to Congress, the Mutual Security Mission in Rome has prepared a briefing paper on defense production and the possibilities for off-shore procurement in Italy. The study indicates that the Italian defense program, even if pushed to the maximum possible, will utilize only about one quarter of the capacity for production of military hard goods during the next two fiscal years, and will leave a large potential for off-shore procurement. [redacted]

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Comment: This confirms previous reports that only a small proportion of the productive capacity of Italian industry is being used for the defense build-up.

The United States has tentatively allotted to Italy 60 million dollars worth of orders, which represents a small part of the total off-shore procurement program.

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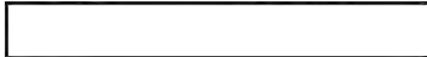


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GENERAL

1. Pakistan's UN delegate requests Venezuela's delegate to call Latin American caucus: Cesar Gonzalez, Venezuela's delegate to the UN, confided to the United States delegate on 28 April that Bokhari, delegate from Pakistan and currently President of the Security Council, had asked him to circularize an unidentified document to all Latin American states and call a Latin American caucus to hear Bokhari discuss it.

Gonzalez assumes that the document is the Indian aide memoire and that Bokhari wants to request support for a special session on Tunisia. At the caucus Gonzalez will urge that Tunisia is a delicate matter for each government to decide for itself and that as a matter of politeness and convenience Bokhari should be heard.

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Comment: Widespread anti-colonial sentiment in Latin America will afford some support for the Arab position on Tunisia. The importance attributed by the United States to the proposal for a special UN session will, however, be a major factor for many of the Latin American countries; for several countries the expense of the special session and the firmness with which Spain supports the Arab position will also be important considerations.

WESTERN EUROPE

2. Swedish Prime Minister advocates closer Anglo-American relations with German Social Democrats: Swedish Prime Minister Erlander, in a conversation with the American Ambassador about Erlander's recent American tour, urged the United States and Britain to improve their relations with the German Social Democrats, who he predicted, will gain control of the German Government within a year or so. He added that he was not saying

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this because he was a Social Democrat, and that his government did not approve of Schumacher's tactics any more than it did of Bevan.

Comment: Swedish and Danish interest in a strong Germany is not new, but this is the first time a Swedish official has been so outspoken on the subject to an American diplomatic representative. Apparently Erlander, who seems to feel that the prospects for war within the "next two or three years" are great, now feels on sufficiently close terms with the American Government as a result of his trip that he can offer such advice without seeming presumptuous.

3. Line-up of political parties for Trieste elections announced: In the commune of Trieste the following electoral alliances for the 25 May administrative elections have emerged: (1) four pro-Italian center parties: Democratic Christians, Venezia Giulia Socialists, Republicans and Liberals; (2) two rightist, pro-Italian parties: National Monarchist party and the Italian Social Movement (MSI); (3) the Slovene parties with the exception of the pro-Titoist Italian-Slovene Popular Front, which feared that an alliance would reduce the "independentist" vote. The pro-Cominform (Vidali) Communist Party will present a single list.

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Comment: The pro-Italian parties, who presently control the communal council, favored the introduction of the Italian electoral law to Trieste on the grounds that it would offset the reportedly growing strength of the "independentist" groups.

The election results will be seized upon as an indication of popular preference for either independence or a return to Italy. Thus, Yugoslavia's policy has been to pursue those tactics which will most strengthen the non-Communist independent parties in an effort to discredit Italian claims to the area.

4. Austrian Chancellor's Washington discussions to cover wide range of topics: Chancellor Figl has informed the American Embassy in Vienna that he proposes to discuss the following matters on his visit to Washington in mid-May: Austrian economic and political rehabilitation; relations with neighboring areas; the state treaty; American support for Austrian admission to the United Nations; necessity of

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negotiation on the Austrian treaty simultaneously with any four-power conference on Germany; occupation costs; possible curbing of American correspondents' reporting on military matters in Austria; East-West trade problems in the light of decreasing foreign aid; and early release of counterpart funds.

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LATIN AMERICA

5. Brazilian Foreign Minister expresses concern about Bolivian situation: Brazilian Foreign Minister Neves da Fontoura has told the US Ambassador in Rio that he personally is deeply concerned about the Bolivian situation. He referred to the importance and complexity of Brazilian interests in Bolivia and said that Brazil would take no action on recognition of the new regime without informing the United States beforehand.

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Comment: Brazil is concerned not only by the threat to its investment in Bolivian oil but also by the extension of Argentine influence.

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